VALUEWORKS
QUALITY ASSETS COMPELLING VALUATIONS

VOLUME 21,1 FIRST QUARTER 2023

Against a backdrop of elevated market and economic drama, investment returns were quite mixed through the first quarter of 2023. The Dow advanced under 0.5%, the S&P advanced by 7%, the Nasdaq torqued higher by 17%, and the Russell small cap value index shed 1%. That was essentially a reversal of the trends for last year, where the Nasdaq dramatically underperformed with a decline of 33%.

Our strategy through this turmoil is to remain disciplined and security focused, and to maintain a legitimately diversified portfolio. We made modest adjustments in the quarter. We exited Netflix near 370 per share, for a roughly 65% gain over a ten-month holding period. We added Hyster-Yale in the mid-40 per share range. Trading at an equity cap of $850 million, this manufacturer of fork-lifts and other larger material handling equipment struggled to meet demand through the pandemic. They now find themselves with nearly a year's worth of backlog at much higher average selling prices. Followed by only two sell-side analysts, we expect revenue to top $4.0 billion this year and grow in the mid-teen level, with free cash flow margins potentially expanding to 10%, or half of today's equity capitalization.

Present market turmoil is textbook-consistent with the tightening cycle being driven by the Federal Reserve Bank. With inflation still running at over 6%, the Fed is continuing to increase rates in order to cool demand and allow for price levels to stabilize. What we are seeing in the banking sector is completely consistent with that process. Higher rates decrease asset values, both in banks fixed income portfolios and loan books. When asset values decline and liabilities do not, bank capital is lost, and the ability for banks to lend decreases. And economic activity slows. That is a primary way in which monetary policy is supposed to work, and is in fact working to slow demand, and hopefully inflation.

The challenge in managing through this is not in understanding these cycles or how they work, but in knowing how far any individual cycle will go. That will ultimately depend upon decisions that policy makers have not yet made. But what we do know is that the economy added 311 thousand jobs in February, and that inflation is still higher than policy makers goals, and that two weeks ago the Fed raised rates further. Those points suggest that monetary conditions will continue to tighten, and investment returns will continue to be pressured.

If that is so, we should be prepared for at least a series of "rolling-bear-markets", if not a wholesale market decline. We can surely characterize the past 18 months in that way. There was a massive dislocation – bear market – in the crypto space. Then it moved to high-flying tech, even as crypto stabilized. In 2023, tech and crypto stabilized, but financials and energy imploded. Commercial REITs are right now in the cross-hairs, with office REITs joining Retail REITs in deep bear-market territory. During such a liquidity-pressured period, my sense is that sectors that go through a massive sell-off will tend to get very sharp bounces off the bottom. That may well characterize the tech sector in the first quarter. However, until monetary conditions ease, such a near-term bounce will remain no more than that -- a near term bounce -- and not the beginning of a long-term advance, and can, if conditions remain tight enough, give way to continuing erosion.

This market turmoil will create opportunities as "babies get thrown out with the bathwater". Our goal in this type of environment is to prudently get incrementally invested in names that can provide significant upside through the next cycle. We have often made the case that it is the investments we make during periods of general market distress that provide powerful investment returns over subsequent multi-year periods.

-Charles Lemonides, CFA

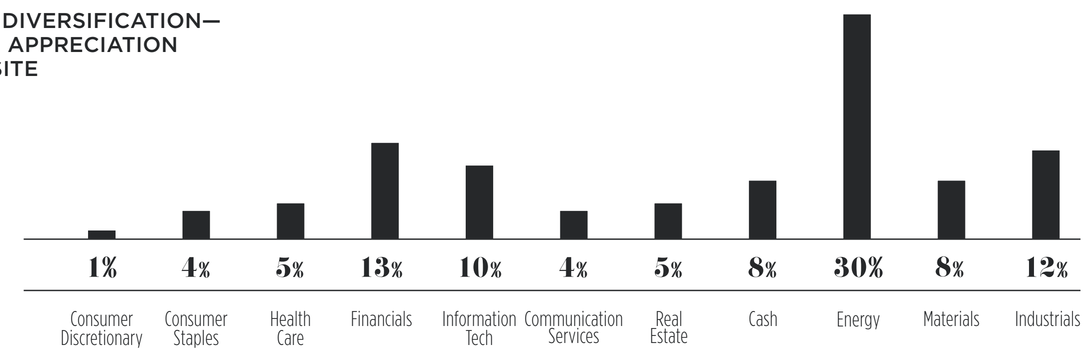
TOP 10 HOLDINGS

1. Chord Energy Corp.
2. Cash
3. Cheniere Energy Inc.
4. Tidewater Inc.
5. Qualcomm Inc.
6. United Natural Foods Inc.
7. Mesabi Trust
8. Goldman Sachs Group Inc.
9. Micron Technology Inc.
10. Air Lease Corporation

—As of 3/31/23—

*see notes on pg 4 for additional details

SECTOR DIVERSIFICATION—
CAPITAL APPRECIATION
COMPOSITE



DEFINING OUR PHILOSOPHY

At ValueWorks we define value investing as buying the best-quality assets at the best possible prices. We like to think of ourselves as bargain hunters: it is our goal to pay only $0.50 to $0.75 for $1.00 worth of assets. We evaluate the component parts of a company, assigning each of its assets a dollar value that, when added together, comprises the underlying value of the company; if this is higher than the company's stock price, we consider it an investment opportunity.

OUR PORTFOLIO STRUCTURE

We believe risk can be better contained through educated security selection than through over-diversification. Consequently, our position sizes range between 3 – 5 % of the overall portfolio value. Fully invested portfolios tend to hold 25 – 35 individual investments.

We enter investments that we view as 25 – 50% undervalued and sell them when we see them as fairly priced. Our anticipated holding period tends to be one to two years which results in only modest portfolio turnover.

Because our decisions are based on research and sound fundamentals we view depressed price action on our securities as buying opportunities rather than sell signals.

We use senior debt and preferred instruments—offerings that can be easily misunderstood by traditional equity or fixed income investors—to gain equity type returns on safer vehicles.

OUR CLIENT SERVICES

ValueWorks provides independent investment management on an individual account basis. Our clients receive the benefits of owning securities directly, coupled with the advantages of having a dedicated portfolio manager.

Working directly with your financial consultant, we evaluate your investment profile and build a plan designed to meet your specific goals. As a high-end investment alternative, you receive:

• Individual review of your portfolio requirements

• A separately tailored portfolio created and maintained to your investment objectives and risk tolerance

• Access to the Portfolio Manager on an ongoing basis with timely and responsive communication

• Flexibility to meet your changing tax requirements and investment needs

• Comprehensive quarterly performance reports.

Working within the framework of our value investment discipline, we build portfolios that cover a wide spectrum of risk-tolerance, from aggressive to much more conservative and income oriented.

DEFINING OUR PROCESS

1 *Identification*

We monitor the financial markets to identify securities that match our investment criteria—focusing on opportunities that appear misunderstood by the general market.

2 *Appraisal*

First we identify the assets; then we appraise them. This allows us to determine the company's underlying value. We then decide whether the assets are of high quality and therefore likely to appreciate over time.

3 *Assessment*

Here we assess any claims against a company's assets; we then compare the market price of the claims to the company's underlying value. If a particular security trades at a discount, we identify factors that could eliminate the valuation gap and increase its price. We then make a decision on the purchase of the security.

4 *Re-Evaluation*

We continuously monitor our positions to determine if our original investment thesis still applies, taking necessary action to optimize our portfolio.

5 *Exit*

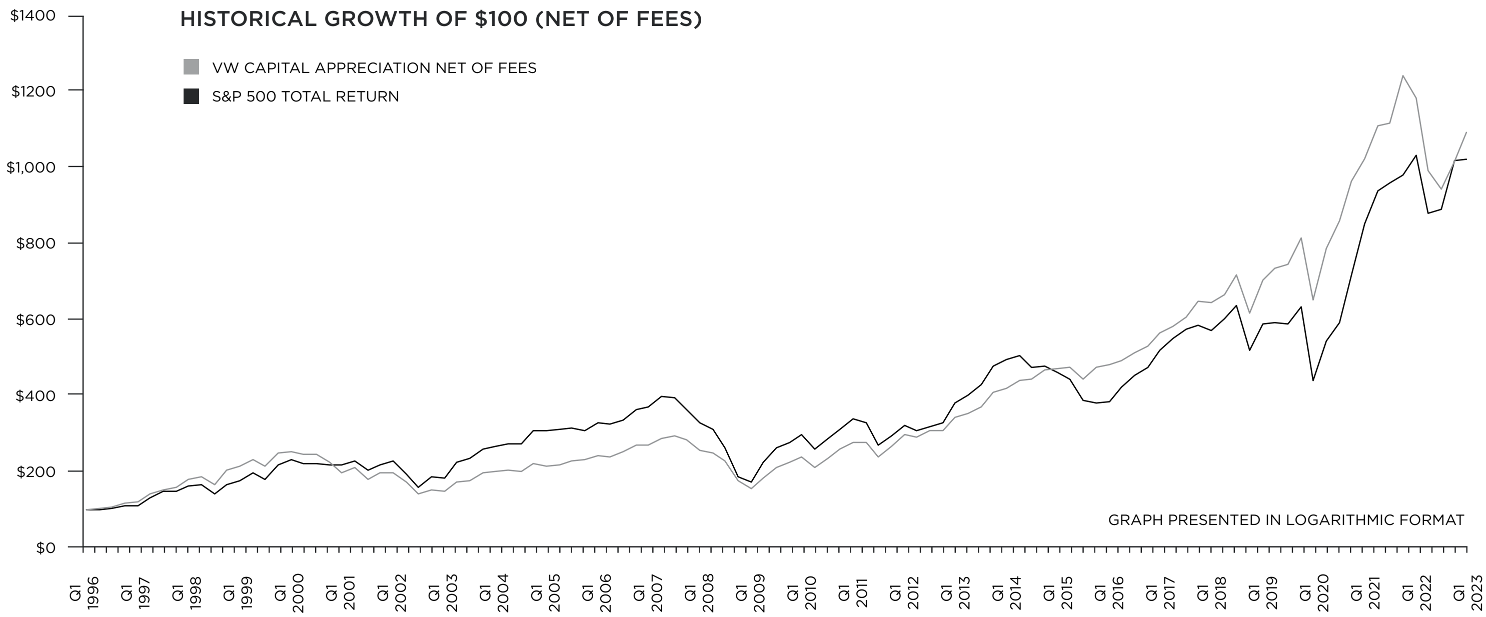
We exit a position when a security either reaches full valuation or changes in its outlook invalidate part of our original thesis.

Objective

Our objective is uncomplicated, but achieving it requires a high level of research, expertise, discipline and independent judgment. By applying this framework consistently we remove emotion from the investment decision making process, enabling us to capitalize on inefficiencies built into the market.

PERFORMANCE REVIEW

FIRST QUARTER 2023 JANUARY 1, 2023 - MARCH 31, 2023



TRAILING PERFORMANCE DATA

VALUEWORKS' CAPITAL APPRECIATION COMPOSITE

	GROSS OF FEES	NET OF FEES	S&P 500 TR
2023 Q1	0.77	0.49	7.49
1 year	0.17	-0.97	-7.73
3 years	33.64	32.11	18.54
5 years	13.55	12.26	11.07
10 years	11.57	10.26	12.19
Life*	10.47	8.95	9.20

*Life is 27.25 years (inception 1/1/1996)

VALUEWORKS' BALANCED COMPOSITE

	GROSS OF FEES	NET OF FEES	BLENDED INDEX*
2023 Q1	0.34	0.03	5.30
1 year	0.12	-1.24	-6.03
3 years	32.10	30.48	7.69
5 years	14.17	12.71	6.41
10 years	11.40	9.94	6.86
Life*	10.81	9.15	7.13

PAST PERFORMANCE MAY NOT BE INDICATIVE OF FUTURE RESULTS.

This Newsletter is intended to be presented with the Capital Appreciation Fact Sheet which contains additional disclosure information.

The above benchmark indices are unmanaged indices. The benchmark performance numbers reflect the reinvestment of dividends and interest but do not reflect the deduction of any fees or expenses. ValueWorks' value investing style is not limited to the securities in any of the above indices and utilizes specific investment techniques which are not utilized in the above indices and which may or may not increase volatility. Returns include all dividends, interest, accrued interest and other cash flows received as they may result from the implementation of a particular investment strategy. Trade date accounting has been used. Results for the full period are time weighted. Accounts are included in composite at the start of the first full period under management. From 1996—Q1 1998 exiting accounts are included through the period in which they left. Starting in Q2 1998 exiting accounts are included through the last full period under management. Results were generated at other firms prior to 9/30/01. Information on other composites is available on request. Investments in this strategy may lose value.
This material is approved for client use.

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